

Message Text

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SUBJ: COMMUNIQUE OF COMMITTEE OF TWENTY MEETING IN ROME

TREASURY FOR HENNESSY AND LOFTUS

1. FOLLOWING IS COMMUNIQUE RELEASED AT CLOSE OF MEETING OF
COMMITTEE OF TWENTY, ROME, JANUARY 18:

2. QUOTE. THE COMMITTEE OF THE BOARD OF GOVERNORS OF THE INTERNATIONAL MONETARY FUND ON REFORM OF THE INTERNATIONAL MONETARY SYSTEM AND RELATED ISSUES (THE COMMITTEE OF TWENTY) HELD THEIR FIFTH MEETING IN ROME ON JANUARY 17 AND 18, 1974, UNDER THE CHAIRMANSHIP OF MR. ALI WARDHANA, MINISTER OF FINANCE FOR INDONESIA. MR. JOHANNES WITTEVEEN, MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND, TOOK PART IN THE MEETING WHICH WAS ALSO ATTENDED BY MR. WILHELM HAFERKAMP, VICE-PRESIDENT OF THE E.E.C., MR. RENE LARRE, GENERAL MANAGER OF THE B.I.S., MR. EMILE VAN LENNEP, SECRETARY-GENERAL OF THE O.E.C.D., MR. OLIVIER LONG, DIRECTOR-GENERAL OF THE G.A.T.T., MR. MANUEL PEREZ-GUERRERO, SECRETARY GENERAL OF THE U.N.C.T.A.D., AND SIR DENIS RICKETT, VICE-PRESIDENT OF THE I.B.R.D.

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3. MEMBERS OF THE COMMITTEE BEGAN BY REVIEWING IMPORTANT RECENT DEVELOPMENTS INCLUDING THE LARGE RISE IN OIL PRICES AND THE IMPLICATIONS FOR THE WORLD ECONOMY. THEY EXPRESSED SERIOUS CONCERN AT THE ABRUPT AND SIGNIFICANT CHANGES IN PROSPECT FOR THE WORLD BALANCE OF PAYMENTS STRUCTURE. THEY RECOGNISED THAT THE CURRENT ACCOUNT SURPLUSES OF OIL-PRODUCING COUNTRIES WOULD BE VERY GREATLY INCREASED, AND THAT MANY OTHER COUNTRIES - BOTH DEVELOPED AND DEVELOPING - WOULD HAVE TO FACE LARGE CURRENT ACCOUNT DEFICITS. IN THESE DIFFICULT CIRCUMSTANCES THE COMMITTEE AGREED THAT IN MANAGING THEIR INTERNATIONAL PAYMENTS COUNTRIES MUST NOT ADOPT POLICIES WHICH WOULD MERELY AGGRAVATE THE PROBLEMS OF OTHER COUNTRIES. ACCORDINGLY, THEY STRESSED THE IMPORTANCE OF AVOIDING COMPETITIVE DEPRECIATION AND THE ESCALATION OF RESTRICTIONS ON TRADE AND PAYMENTS. THEY FURTHER RESOLVED TO PURSUE POLICIES THAT WOULD SUSTAIN APPROPRIATE LEVELS OF ECONOMIC ACTIVITY AND EMPLOYMENT, WHILE MINIMISING INFLATION. THEY RECOGNISED THAT SERIOUS DIFFICULTIES WOULD BE CREATED FOR MANY DEVELOPING COUNTRIES AND THAT THEIR NEEDS FOR FINANCIAL RESOURCES WILL BE GREATLY INCREASED; AND THEY URGED ALL COUNTRIES WITH AVAILABLE RESOURCES TO MAKE EVERY EFFORT TO SUPPLY THESE NEEDS ON APPROPRIATE TERMS. THE COMMITTEE AGREED THAT THERE SHOULD BE THE CLOSEST INTERNATIONAL COOPERATION AND CONSULTATION IN PURSUIT OF THESE OBJECTIVES. THEY NOTED THAT THE INTERNATIONAL MONETARY FUND, THE WORLD BANK AND OTHER INTERNATIONAL ORGANISATIONS ARE CONCERNED TO FIND ORDERLY MEANS BY WHICH THE CHANGES IN CURRENT ACCOUNT POSITIONS MAY BE FINANCED, AND THEY URGED THAT THESE ORGANISATIONS SHOULD COOPERATE IN FINDING AN EARLY SOLUTION TO THESE QUESTIONS, PARTICULARLY IN RELATION TO THE DIFFICULT PROBLEMS FACING NON-OIL-PRODUCING DEVELOPING COUNTRIES. IN PARTICULAR, WHILE RECOGNISING THE UNCERTAINTIES WITH REGARD TO FUTURE DEVELOPMENTS IN THE FIELD OF ENERGY, THE COMMITTEE AGREED THAT THE PROPOSAL OF THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND FOR A TEMPORARY SUPPLEMENTARY FACILITY SHOULD BE URGENTLY EXPLORED. IT IS RECOGNISED THAT SUCH A FACILITY POSES OPERATIONAL PROBLEMS WHICH MUST BE RESOLVED AND WOULD, PARTICULARLY FOR NON-OIL-PRODUCING DEVELOPING COUNTRIES, BE ONLY A PARTIAL MEASURE, IN VIEW OF THE NATURE AND MAGNITUDE OF THE BALANCE OF PAYMENTS PROBLEMS CREATED.

4. THE COMMITTEE EXPRESSED ITS DETERMINATION TO COMPLETE ITS UNCLASSIFIED

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WORK ON THE MAIN FEATURES OF A REFORMED INTERNATIONAL MONETARY SYSTEM IN THE COMING MONTHS. THEY RECOGNISED THAT, IN THE LIGHT OF THE RECENT DEVELOPMENTS IN THE WORLD ECONOMY NOTED ABOVE, PRIORITY SHOULD BE GIVEN TO CERTAIN IMPORTANT ASPECTS OF REFORM AFFECTING THE INTERESTS BOTH OF DEVELOPED AND DEVELOPING COUNTRIES, WITH A VIEW TO THEIR EARLY IMPLEMENTATION. OTHER ASPECTS OF REFORM COULD BE AGREED WITH THE UNDERSTANDING THAT THEIR OPERATIONAL PROVISIONS WOULD BE DEVELOPED AND IMPL-

MENTED AT A LATER DATE. THE COMMITTEE AGREED THAT THE DEPUTIES SHOULD ARRANGE TO STUDY THE BROAD QUESTION OF THE TRANSFER OF REAL RESOURCES, INCLUDING ALL SPECTS OF CAPITAL TRANSFERS, AND THAT THERE SHOULD BE A REPORT TO THE NEXT MEETING OF THE COMMITTEE.

5. THE COMMITTEE DISCUSSED THE VALUATION AND YIELD OF THE SDR. THEY AGREED THAT FURTHER ATTENTION SHOULD BE GIVEN TO THE QUESTION OF PROTECTING THE SDR'S CAPITAL VALUE AGAINST DEPRECIATION. IN THE PRESENT CIRCUMSTANCES THE COMMITTEE AGREED THAT, FOR AN INTERIM PERIOD AND WITHOUT PREJUDICE TO THE METHOD OF VALUATION TO BE ADOPTED IN THE REFORMED SYSTEM, IT WOULD BE APPROPRIATE TO BASE THE VALUATION OF THE SDR ON A "BASKET" OF CURRENCIES. THEY INVITED THE EXECUTIVE BOARD TO WORK URGENTLY ON THE COMPOSITION OF A BASKET OF CURRENCIES, THE EFFECTIVE INTEREST RATE, AND OTHER OUTSTANDING QUESTIONS, WITH A VIEW TO EARLY ADOPTION BY THE FUND OF THIS METHOD OF VALUATION.

6. THE COMMITTEE DISCUSSED CERTAIN ASPECTS OF THE FUTURE STRUCTURE OF THE INTERNATIONAL MONETARY FUND. THEY AGREED THAT IN THE REFORMED SYSTEM IT WOULD BE DESIRABLE TO ESTABLISH BETWEEN THE FULL BOARD OF GOVERNORS AND THE EXECUTIVE DIRECTORS, A PERMANENT AND REPRESENTATIVE COUNCIL OF GOVERNORS WITH TWENTY MEMBERS. THEY AGREED THAT THE COUNCIL SHOULD MEET REGULARLY, THREE OR FOUR TIMES A YEAR AS REQUIRED, AND SHOULD HAVE THE
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